

## Message Text

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TAGS: BEXP, KS

SUBJ: 1980 TRADE AND ECONOMIC PROJECTIONS

REF: (A) STATE A-1182 (B) STATE 116763

1. RE THE FORECAST OF KOREA'S IMPORTS IN 1980 (IN 1974 DOLLARS) FORWARDED IN REF A, THE FORECAST OF A 16.2 PERCENT AVERAGE ANNUAL GROWTH RATE FOR REAL IMPORTS. APPEARS HIGH BOTH IN TERMS OF ACTUAL RESULTS IN RECENT YEARS AND ROKG PLANNING ASSUMPTIONS FOR THE FOURTH FIVE YEAR PLAN (1977-1981).

2. ASSUMING AN IMPORT VOLUME INCREASE OF 12 PERCENT IN 1976 (AS OPPOSED TO THE OFFICIAL FORECAST OF ABOUT 9 PERCENT), THE AVERAGE ANNUAL INCREASE IN REAL IMPORTS FOR THE THIRD FIVE YEAR PLAN (1971-76) WILL BE 9.5 PERCENT. THIS FIGURE IS SOMEWHAT MISLEADING IN THAT INCREASES IN IMPORT VOLUME HAVE BEEN EXCEPTIONALLY SMALL IN THE PAST TWO YEARS OF SOARING IMPORT PRICES AND RELATIVELY SLOWER KOREAN GNP GROWTH. HOWEVER, THE PERFORMANCE OF THE PAST TWO YEARS CANNOT BE FULLY EXPLAINED WITHOUT CONCLUDING THAT A SIGNIFICANT DEGREE OF IMPORT SUBSTITUTION HAS TAKEN PLACE AS WELL.

3. AS DEVELOPMENT OF THE KOREAN ECONOMY MOVES TO THE NEXT STAGE, ECONOMIC PLANNERS ENVISAGE A SLOWING IN THE RATE OF

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INCREASE OF EXPORT GROWTH AND A SOMEWHAT GREATER EMPHASIS ON

IMPORT SUBSTITUTION. WHILE PLANNING FOR THE FOURTH FIVE YEAR PLAN IS NOT FINALIZED AS YET, CURRENT WORKING ASSUMPTIONS ASSUME AVERAGE ANNUAL REAL GROWTH DURING 1977-81 OF ABOUT 16 PERCENT FOR EXPORTS AND 12 PERCENT FOR IMPORTS.

4. PRELIMINARY DATA FOR 1975 INDICATE IMPORT VOLUME ROSE ABOUT 3 PERCENT. ASSUMING 12 PERCENT GROWTH FOR 1975-1980, THE AVERAGE ANNUAL IMPORT GROWTH FOR 1974-1980 WOULD BE 10.4 PERCENT, MEANING PROJECTED IMPORTS OF \$12.4 BILLION, C.I.F., IN 1980 (IN 1974 DOLLARS). THIS MAY PROVE CONSERVATIVE IF GROWTH OF KOREAN EXPORTS AND GNP EXCEED PLANNING ASSUMPTIONS FOR THE PERIOD, AS HAS HAPPENED SO FREQUENTLY IN THE PAST. HOWEVER, IT WOULD SEEM TO BE THE MOST APPROPRIATE FIGURE TO USE AT THE PRESENT TIME. SNEIDER

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